

香港存款保障委員會  
HONG KONG DEPOSIT  
PROTECTION BOARD

ANNUAL REPORT

2020-2021





## HONG KONG DEPOSIT PROTECTION BOARD

The Hong Kong Deposit Protection Board is a statutory body established under the Deposit Protection Scheme Ordinance to oversee the operations of the Deposit Protection Scheme. The objectives of the Scheme are to protect depositors and to help maintain the stability of Hong Kong's banking system.

The Board's mission is to ensure that an efficient and effective Scheme is in place in accordance with the Ordinance and in line with international best practices.

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## MESSAGE FROM THE CHAIRMAN



Like the rest of the world, Hong Kong has been severely hit by the COVID-19 pandemic over the past year. In response, the Government funnelled over HK\$300 billion into relief measures for the community, while the Hong Kong Monetary Authority and the banking sector also introduced various initiatives to support companies and individuals in such difficult times. These efforts helped maintain widespread confidence in Hong Kong's crisis management capabilities and financial stability.

The Hong Kong Deposit Protection Board (the Board) has played its own part in these efforts. As the official Guardian of bank deposits in Hong Kong, the Board has been diligently overseeing the Deposit Protection Scheme (DPS), which plays an indispensable role in safeguarding bank deposits and hence supporting the overall banking stability of Hong Kong. To further enhance public confidence in the Scheme, we have been very active in reinforcing public understanding of the DPS throughout the year despite the disruptions caused

by the pandemic, while further enhancing our payout readiness and overall operational efficiency.

During the pandemic, television and the internet proved our most effective communication channels. In the year, we launched a new TV commercial under the theme "Bank Deposits Always Come With Protection". The light-hearted commercial featured the life adventures of Ah Chuen (Deposits) and Ah Po (Protection), two animated characters who work hand in hand to give lifetime protection to people's bank deposits. With many of the Board's face-to-face promotional activities cancelled due to the pandemic, we reached out to the public via social media campaigns such as "DPS Kung Fu Duo" and "DPS Saving Duo Comics". A number of our DPS talks for the elderly and students were also shifted online. At the same time, close collaborations with NGOs enabled us to distribute DPS information packs for the elderly alongside special anti-pandemic packs, and DPS board games for students to support their home-learning activities.



## MESSAGE FROM THE CHAIRMAN

In 2020 we carried out the third annual “Hongkongers’ Sense of Security on Savings” survey, which was widely covered in the media. It showed that over 67% of Hong Kong people had a regular saving habit, with bank deposits being the most popular savings option. Given this finding, it is clear that the Board’s role as Guardian of bank deposits remains an extremely important one. A separate survey conducted in 2020 on public opinions about the DPS showed that public awareness remained steady at 79%, and that in general, the public’s understanding of the features and function of the DPS had improved. This is an encouraging finding.

The Board must be ready to pay out to depositors promptly in the event of any bank failure, and we have developed and tested our payout system to ensure this is the case. We are now in the final stage of our project to introduce electronic payment channels, including the Faster Payment System, for payout events. In this connection, our communications consultant conducted a focus group study during the year, and found a general receptiveness to electronic payment as a payout method for DPS compensation. We have also requested banks to enhance the quality of data they provide to facilitate payment by electronic channels, and improved our business contingency plan to ensure there is no delay in our payout readiness even in the face of an epidemic outbreak.

As we enter a new year, the Board has lined up plans to make sure that it remains alert and vigilant, able to respond quickly to any developments that may affect public confidence in Hong Kong’s banking system. In particular, we intend to conduct

a payout rehearsal in the year with a special focus on the new electronic payment channels, which are expected to be functional around mid-2021.

We are also embarking on a new three-year communications strategy in 2021 to further enhance trust in the DPS and the Board. In September, the DPS will be 15 years old, and we hope to leverage this occasion to draw attention to the benefits of the Scheme. Moreover, we believe it is time to conduct a review of the DPS in the light of the latest international best practice. Our aim will be to ensure that the Scheme in Hong Kong remains effective.

Finally, I would like to thank each member of the Board and the Advisory Panel for their efforts over the past difficult year. Special thanks are due to the former ex officio member representing the Secretary for Financial Services and the Treasury, Ms Michelle Li, who retired during the year. I also welcome Ms Salina Yan, who became our new ex officio member in August 2020. I am grateful too for the support of all our major stakeholders, as well as the efforts of our staff in extraordinary circumstances. All have worked together to create the atmosphere of confidence and trust which is essential for the Board in fulfilling its mission.

**Professor HUI King-man, Michael, MH**  
Chairman  
Hong Kong Deposit Protection Board



## DEPOSIT PROTECTION SCHEME AT A GLANCE

- The Deposit Protection Scheme (DPS) is a statutory scheme established to protect bank depositors. All licensed banks, including virtual banks, are required to participate in the DPS as a Scheme member unless otherwise exempted by the Hong Kong Deposit Protection Board (the Board). It is a statutory requirement for all Scheme members to prominently display a membership sign at their places of business, where applicable.
- 

存款保障計劃  
DEPOSIT  
PROTECTION  
SCHEME

【計劃成員名稱】是存款保障計劃的成員。本銀行接受的合資格存款受存款計劃保障，最高保障額為每名存款人HK\$500,000。

[Name of the Scheme member] is a member of the Deposit Protection Scheme. Eligible deposits taken by this Bank are protected by the Scheme up to a limit of HK\$500,000 per depositor.
- Each depositor's aggregate deposits in a Scheme member are protected up to a limit of HK\$500,000. In the event of a bank failure, the compensation payable to a depositor is determined on a gross basis without deducting any liabilities owed by the depositor to the bank concerned, and the target time frame for making full compensation payments to depositors is within seven days in most cases.
  - The DPS covers deposits denominated in Hong Kong dollars, renminbi or any other currencies.
  - Eligible deposits held with Scheme members are legally protected by the DPS without the need for registration or application. Depositors are not required to pay for the protection.
  - Deposits such as term deposits with a maturity longer than five years, structured deposits, bearer instruments and offshore deposits, and non-deposit products such as bonds, stocks, warrants, mutual funds, unit trusts and insurance policies, fall outside the scope of DPS protection.
  - All Scheme members make contributions to the Deposit Protection Scheme Fund (DPS Fund). The target fund size is 0.25% of the total amount of protected deposits held with all Scheme members, which is equivalent to about HK\$6.2 billion in 2021.
  - The Scheme members' contributions are assessed annually using a differential levy system with reference to the supervisory rating of each Scheme member as determined by the Hong Kong Monetary Authority (HKMA).



# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

## OVERVIEW

### Introduction

The Board is a statutory body established under section 3 of the Deposit Protection Scheme Ordinance (DPSO) to oversee the operations of the DPS. The DPS has been a key building block in Hong Kong's financial safety net since its launch in September 2006, and the provision of deposit protection has contributed to the stability of the banking system. The Board is a member of the International Association of Deposit Insurers and contributes to the efforts of the Association in promoting effective deposit insurance systems.

### Mission and Functions of the Board

The Board's mission is to ensure that an efficient and effective DPS is in place in accordance with the DPSO and in line with international best practice. Under section 5 of the DPSO, the Board's functions include

- maintaining the DPS;
- collecting contributions payable by Scheme members;
- managing the DPS Fund;
- making payments to depositors in the event of the failure of a Scheme member; and
- recovering payments made to depositors from the assets of the failed Scheme member.



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Composition of the Board

Members of the Board are appointed by the Financial Secretary (FS) in his exercise of power delegated from the Chief Executive of the Hong Kong Special Administrative Region (CE/HKSAR). The Members are selected from different professions, such as accounting, banking, legal practice, consumer protection, investment, information technology and public administration, and have rich experience in public service. The Board currently comprises nine members, including two ex officio members representing the HKMA and the Secretary for Financial Services and the Treasury of the HKSAR Government. Except for the ex officio members, all other members are appointed for a fixed renewable term not exceeding six years in total under normal circumstances. See pages 8 to 9 for the composition of the Board.

### Committee and Advisory Panel of the Board

Under the DPSO, the Board may appoint committees and advisory panels to assist in performing its functions. Currently, an Investment Committee and an Advisory Panel on Communication and Public Education are assisting the Board. Their objectives and composition are set out on pages 10 and 11.





## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Executive Management

Pursuant to section 6 of the DPSO, the Board shall perform its functions through the HKMA unless indicated otherwise by the FS. Hence, the HKMA acts as an executive arm of the Board in administering the DPS. Against this background, the HKMA has assigned a team of professional and support staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board to oversee all day-to-day functions of the DPS. The HKMA also provides administrative support to the Board, including accounting, administration, human resources and information technology, under detailed arrangements set out in a Memorandum of Understanding (MoU) between the two organisations. The Board reimburses costs incurred by the HKMA for such purposes on a cost-recovery basis in accordance with provisions set out in the DPSO.

The powers that the Board can exercise in administering the DPS are specified in the DPSO. The Board has clear guidelines on the division of responsibilities among the Board, the management team and supporting divisions of the HKMA, and on the division of responsibilities between the Chairman of the Board and the Chief Executive Officer, which have been devised in line with good corporate governance practice. In general, the Board takes strategic decisions relating to the operations and development of the DPS and those decisions that require an exercise of the Board's powers under the DPSO. The management team, on the other hand, is responsible for the day-to-day operations of the DPS according to the principles and policies endorsed by the Board.



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### THE BOARD AND ITS COMMITTEE AND ADVISORY PANEL

#### Members of the Board

##### Chairman



**Professor HUI King-man, Michael, MH**

Vice Rector (Academic Affairs)  
Chair Professor of Marketing  
University of Macau

##### Members



**Mr CHAN Kam-man, Lawrence**

Partner  
Wilkinson & Grist



**Professor CHAN Koon-hung**

Professor of Business and Hospitality Management  
Caritas Institute of Higher Education  
Emeritus Professor of Department of Accountancy  
Lingnan University



**Ms GIDUMAL, Anita**

Director – Finance & Strategy  
Abercorn Trading Co. Ltd.



**Professor LEE Kwok-on, Matthew**

Vice President (Development and External Relations)  
Chair Professor of Information Systems and Electronic Commerce  
City University of Hong Kong



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Members



**Mr LO Chi-wai, Peter**

Former Chief Country Officer, Hong Kong  
Deutsche Bank



**Ms ZEE, Helen**

Former Deputy Chief Executive and Managing Director  
Haitong International Capital Limited



**Ms YAN Mei-mei, Salina, JP**  
(since August 2020)

Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Ex officio member of the Board representing  
the Secretary for Financial Services  
and the Treasury



**Mr YUEN Kwok-hang, Arthur, JP**

Deputy Chief Executive  
Hong Kong Monetary Authority

Ex officio member of the Board  
representing the Monetary Authority



**Ms LI Mei-sheung, Michelle, JP**  
(until August 2020)

Former Permanent Secretary for Financial Services and  
the Treasury (Financial Services)

Ex officio member of the Board representing  
the Secretary for Financial Services and the Treasury





## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Investment Committee of the Board

The Investment Committee is established in accordance with section 7 of Schedule 2 to the DPSO to advise the Board on the investment of the DPS Fund. It is responsible for

- making recommendations on the investment policy and strategy in respect of the DPS Fund;
- monitoring the investment performance of the DPS Fund and establishing proper risk management controls for the investment activities of the Board; and
- working on any other investment-related matters as determined from time to time by the Board.

The Committee comprises members with experience and expertise in banking and investment-related areas. The Chairperson and most of the members of the Committee are also members of the Board. The membership of the Committee is as follows:

### Chairperson

#### **Ms ZEE, Helen**

Former Deputy Chief Executive and Managing Director  
Haitong International Capital Limited

### Members

#### **Professor CHAN Koon-hung**

Professor of Business and Hospitality Management  
Caritas Institute of Higher Education  
Emeritus Professor of Department of Accountancy  
Lingnan University

#### **Mr CHAN Shiu-lun, Christopher**

Chief Investment Officer (Public Markets)  
Exchange Fund Investment Office  
Hong Kong Monetary Authority

#### **Mr LO Chi-wai, Peter**

Former Chief Country Officer, Hong Kong  
Deutsche Bank



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Advisory Panel on Communication and Public Education

The Advisory Panel on Communication and Public Education is established in accordance with section 7 of the DPSO. Comprising the Chairman of the Board and experts with extensive experience in public relations, communication and community education strategies, the Advisory Panel advises the Board on related matters, such as the development and implementation of strategies in these areas. The membership of the Advisory Panel is as follows:

#### Chairman

**Professor HUI King-man, Michael, MH**

#### Members

**Ms CHAN Kwok-fai, Jenny**

**Mr CHIU Sung-kei, Josiah**

**Mr FUNG Lap-wing**



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### CORPORATE GOVERNANCE

#### The Board

The Board is an independent statutory body formed under the DPSO. In line with good corporate governance standards applicable to deposit insurers, only a minority of the members of the Board are representatives from the HKSAR Government and the HKMA. This arrangement is to facilitate a balanced contribution from the HKSAR Government, the HKMA (as the banking supervisor in Hong Kong) and external professionals, allowing for different perspectives in the management and operations of the DPS. At the same time, the Board's functions are insulated from the influence of the banking industry, as employees or directors of banks and bank-related companies are not eligible for appointment to the Board.

The Board is subject to the oversight of the FS, who is responsible for approving the estimates of income and expenditure of the DPS Fund, and tabling in the Legislative Council the Board's annual report covering its activities, the statement of accounts of the DPS Fund and the audit report of the statement. The proceedings of the Board are governed by provisions of the DPSO, and the Board meets about three times a year to discuss policy issues crucial to the operations and continuing development of the DPS. In 2020-2021, the Board met three times with a full attendance rate.

#### Risk Management and Audit

To manage the risks of the DPS, the Board ensures that appropriate and prudent risk management systems are adequately implemented and regularly reviewed. The Internal Audit Division (IAD) of the HKMA performs periodic reviews of the risks inherent in various operational areas of the Board. It also assesses whether appropriate and sufficient controls are in place to safeguard the Board against the potential risks identified. Audit findings and recommendations of the IAD are reported directly to the Board to ensure that any material issues identified are communicated independently and effectively to Board members. The IAD last conducted a review of the operations and internal controls of the Board in 2019 and identified no major issues.

The Board appoints an external auditor under the approval of the FS to audit the DPS Fund's annual statement of accounts. The appointee reports the results and any findings directly to the Board. The external auditor for the financial year ended 31 March 2021 was Deloitte Touche Tohmatsu. To avoid any potential conflict of interest, the Board has a standing mechanism that preserves the independence of the financial audit undertaken by the appointed external auditor. If the appointed external auditor also participates in other engagements with the Board, the financial auditing work will be conducted by a separate team.





## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Standards of Behaviour and Ethics

Clear guidelines and procedures, including requirements for declaration of interests, are set out in the DPSO and the Code of Conduct for members and staff of the Board to prevent any possible conflict of interest. Members are required to declare in writing their personal interests when they first join the Board or its committees, and then annually, to the secretary of the Board. The secretary keeps the Register of Members' Interests, which is available for public inspection upon request. Senior members of staff are required to make an annual declaration to the Chairman of the Board. Members and staff observe specific procedures to report their interests and, when applicable, to excuse themselves from the decision-making process.

### Communication and Transparency

The Board is committed to open communication with the public and other stakeholders. It maintains a website to facilitate access to information on DPS operations, and its annual report is publicly available. In addition, the Board operates multiple channels to answer enquiries from the public. The Board also conducts consultations with banking industry associations on any policies and initiatives relating to the operations of the DPS that may affect the industry.

### Appeal Mechanism

Certain decisions made by the Board and the HKMA under the DPSO can be the subject of an appeal to the Deposit Protection Appeals Tribunal. The CE/HKSAR has appointed a former Deputy Judge of the Court of First Instance of the High Court as Chairperson of the Tribunal, together with a panel of three persons who may be called upon as members of the Tribunal. The Tribunal convenes sittings only when required. To date, there have been no appeal cases reported to or reviewed by the Tribunal.

### Review of the Corporate Governance Structure

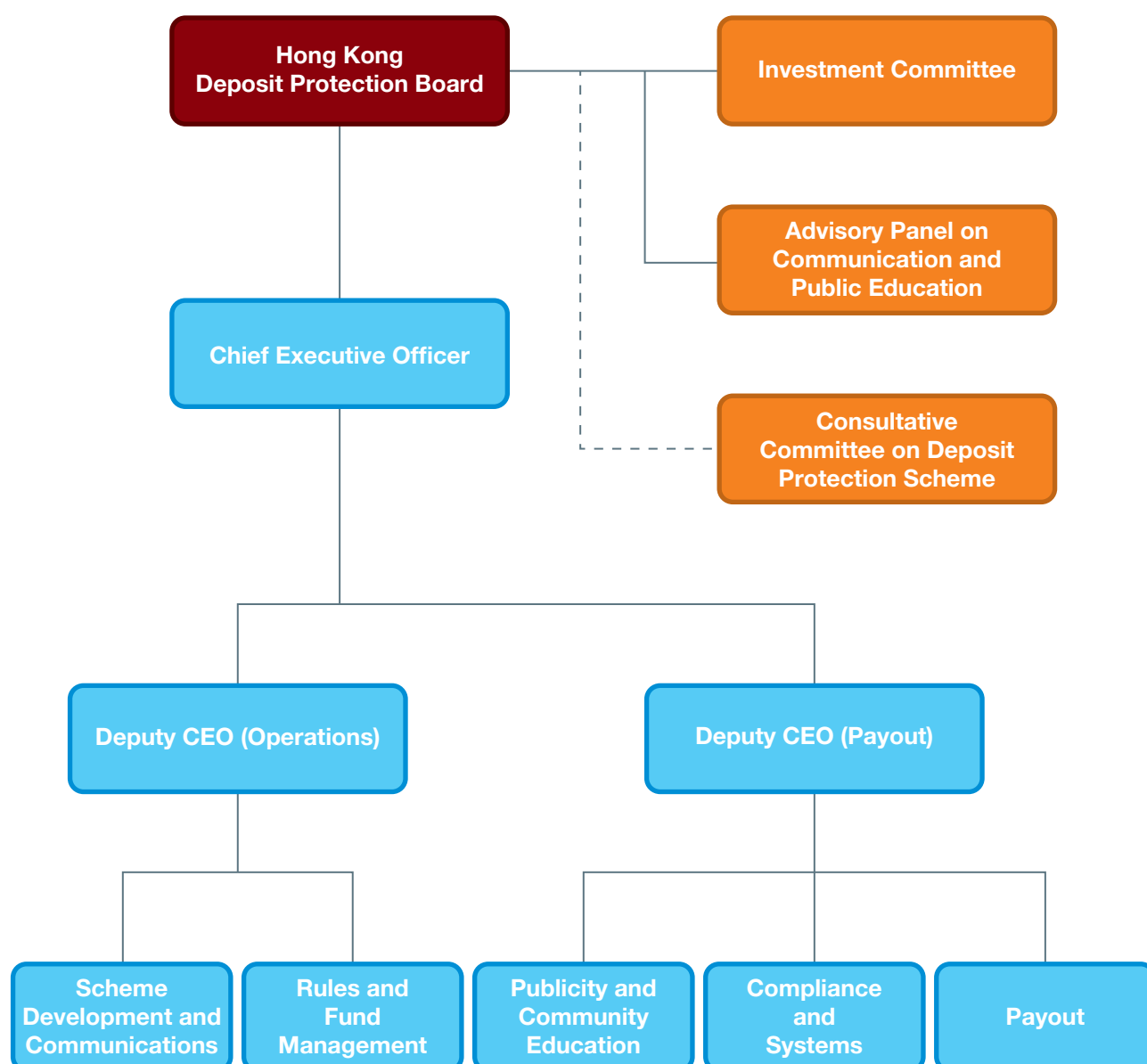
The Board has a policy of reviewing its corporate governance structure regularly to ensure that it continues to adhere to sound governance standards regardless of any changes in the scope of the Board's operations driven by the development of the DPS. Refinements are made between individual reviews to help the Board keep up with local and international best practice. The IAD also conducts independent reviews of the Board's corporate governance practices against applicable local or international standards on a periodic basis. It last conducted a review in the second quarter of 2018 and concluded that the Board's corporate governance framework was in line with industry best practice. The next IAD reviews on the operations and internal controls of the Board as well as its corporate governance framework are expected to take place in 2022.



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### ORGANISATIONAL STRUCTURE

(as at 31 March 2021)





## SCHEME OPERATIONS

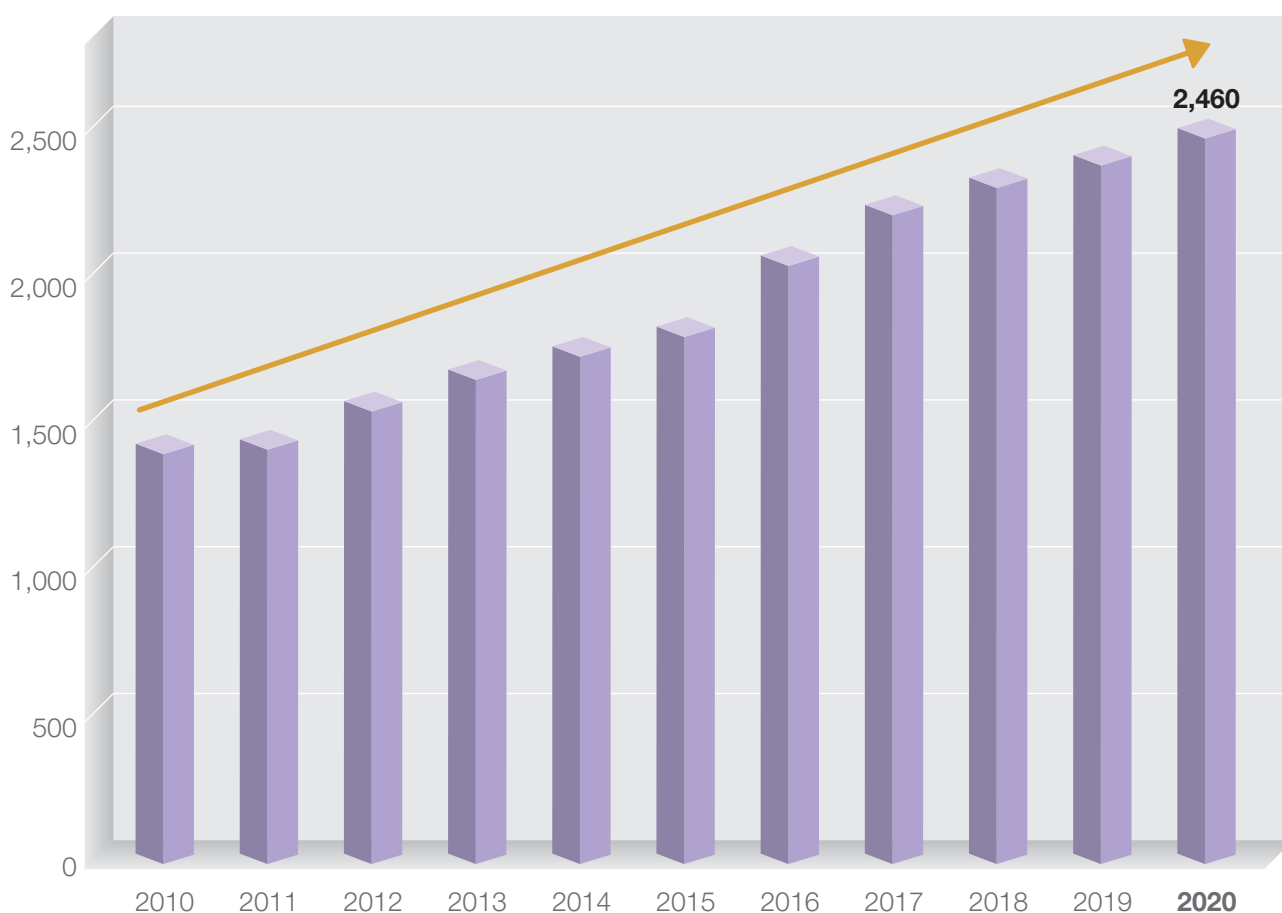
### SCHEME MEMBERS' PROFILE AND PROTECTED DEPOSITS

At the end of March 2021, the Scheme had 159 members, with 31 incorporated locally and 128 incorporated outside Hong Kong. This is largely in line with the number of retail and wholesale banks in Hong Kong.

Based on returns submitted by Scheme members, the aggregate amount of their deposits under DPS protection grew by 4% to HK\$2,460 billion in 2020, compared with HK\$2,368 billion in 2019. This was attributed to an increase in total deposits held with Scheme members.

#### Protected Deposits Held with Scheme Members

HK\$ billion







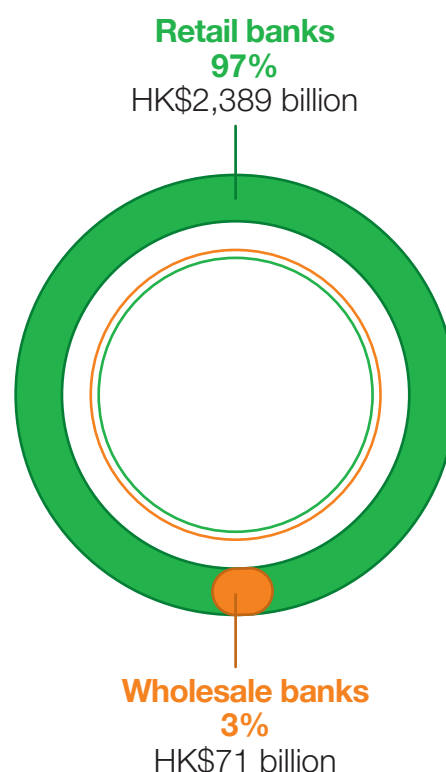
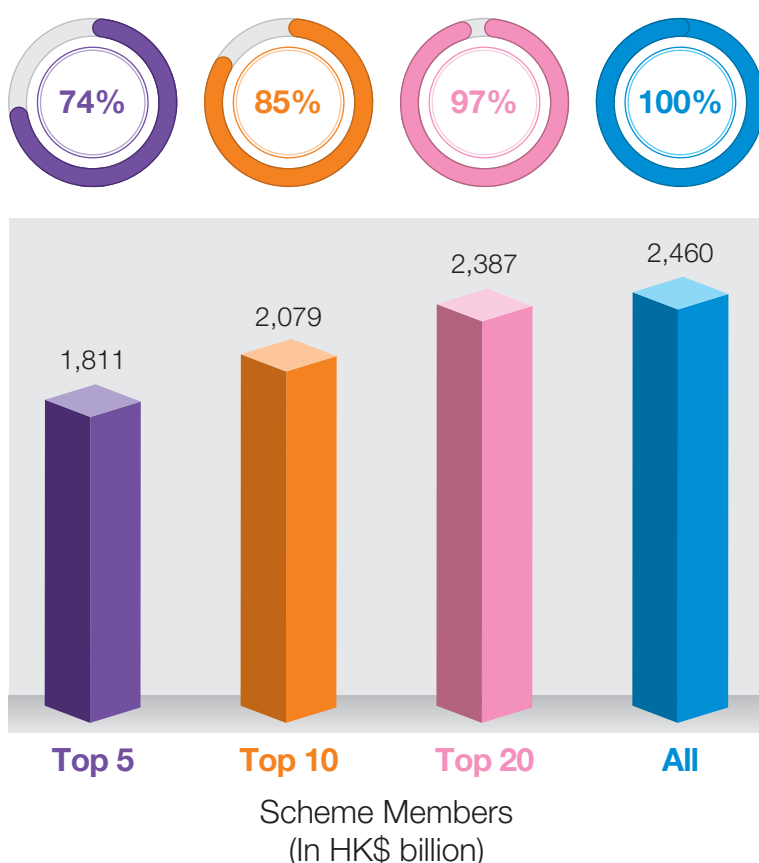
## SCHEME OPERATIONS

The distribution of protected deposits among Scheme members in 2020 was similar to that of 2019. The top 20 Scheme members, most of which were retail banks, held 97% of the industry's aggregate protected deposits. According to statistics provided by Scheme members, about 90% of depositors are fully protected by the DPS.

## REVIEW OF THE DPS

In line with international best practice, the Board conducts a review of the DPS periodically to ensure that it remains efficient and effective in serving its public policy objectives in the light of the latest economic and financial developments in Hong Kong. As such, the Board plans to conduct a review of the modalities of the DPS in 2021. The purpose of the review will be to ensure that the DPS in Hong Kong remains effective.

### Distribution of Protected Deposits in 2020





## SCHEME OPERATIONS

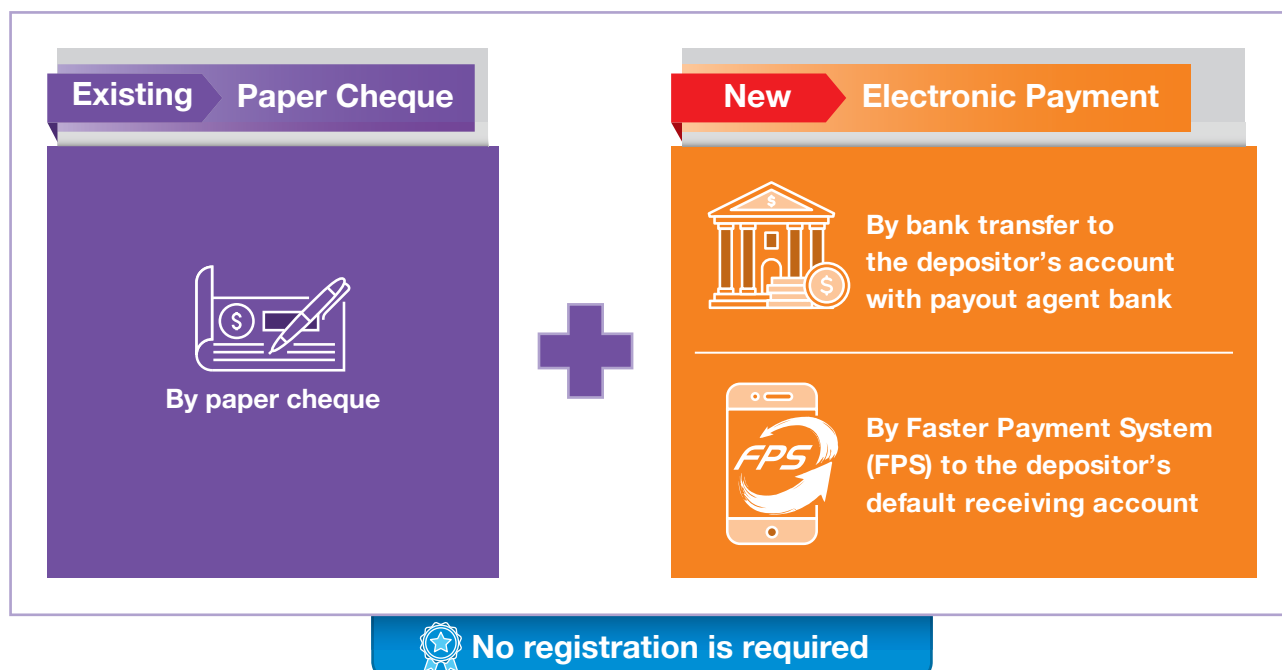
### PAYOUT READINESS

#### Overview

As the official Guardian of bank deposits in Hong Kong, the Board is firmly committed to meeting its objective of paying compensation within seven days to depositors affected by the failure of a bank. A key focus of the Board's work is therefore to maintain payout readiness and enhance payout efficiency. At the same time, the Board is mindful that it is

serving a society which is becoming increasingly accustomed to using digital means for transactions. Good progress has been made on a project to introduce electronic payment channels to speed up the disbursement of DPS compensation. While the pandemic continues to pose uncertainties to the economy, the Board will remain vigilant and has planned to conduct a payout rehearsal in 2021 with a special focus on the use of new electronic payment channels.

#### Payment Methods for DPS Compensation





## SCHEME OPERATIONS

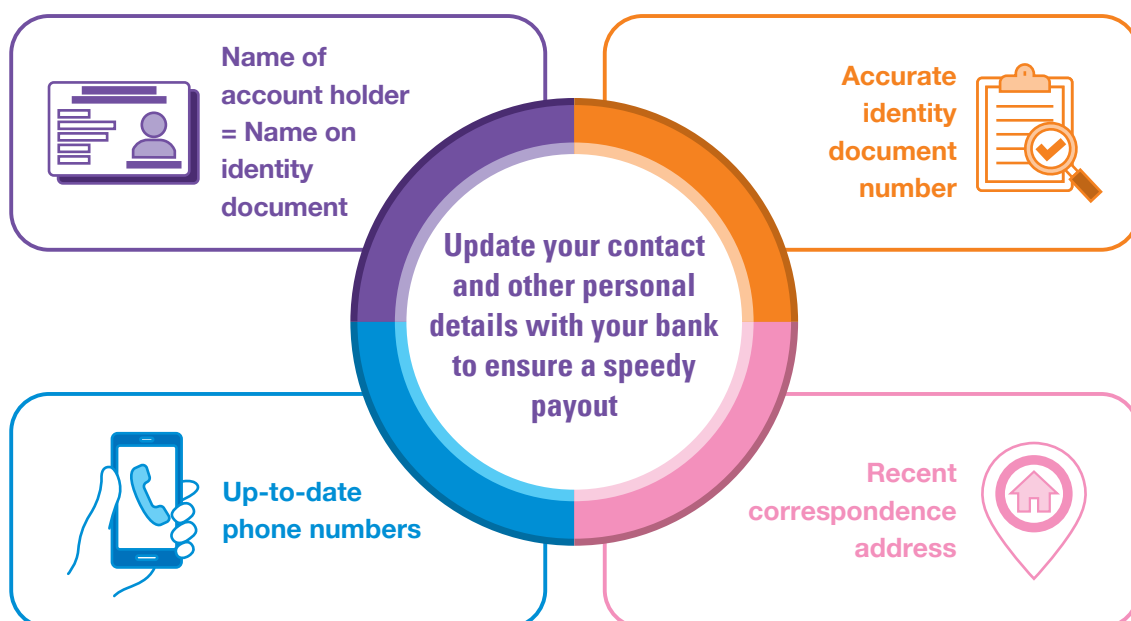
### Electronic Payment Channels for Compensation Payment

Electronic payment channels provide a fast, safe and convenient means of disbursing DPS compensation in addition to using paper cheques. The Board launched a project in 2019 to introduce electronic payment channels, namely the use of bank transfers to accounts held by depositors with the Board's designated payout agent bank, and the use of the FPS, which moves money to the default receiving accounts of depositors. The project is progressing well. During the year, the Board and its service providers completed system development and held comprehensive drills with the banking sector to ensure that the technical infrastructure and procedures were ready for the adoption of electronic payment channels. The whole payment process is triggered immediately upon a bank's failure and eligible depositors do not need to file a claim or register for payment.

It is worth highlighting that the success of using electronic payment channels to compensate depositors hinges on banks maintaining depositor data of good quality, especially up-to-date contact information and other personal particulars. In 2020, the Board issued a guidance note to Scheme members in order to clarify the reporting requirements they must observe in adopting electronic payment.

At the depositors' end, the Board sought to obtain feedback on the use of electronic payment methods. A communications consultant was engaged to update the crisis management plan and gather public opinions through focus group discussions. Through the focus groups, the Board found that the public was receptive to electronic payment as a method of DPS compensation and was satisfied with the Board's payout arrangements.

### Importance of Accurate, Up-to-date Personal Particulars





## SCHEME OPERATIONS

### Contingency Planning and Payout Rehearsal

It is crucial for the Board to maintain payout readiness at all times so as to make swift compensation payment if and when the DPS is triggered, even under challenging circumstances. Amid the COVID-19 pandemic, the Board deployed special work arrangements, such as split-team operations, to mitigate the potential risk of a disruption to payout operations. The Board also enhanced its business continuity plan with additional measures and guidance to payout agents on how to cope with different types of interruption which could arise from the pandemic.

In 2021, the Board will conduct a payout rehearsal with a special focus on testing the operations of the use of electronic payment channels in making compensation to the affected depositors. Payout agents, comprising the Board's service providers, will participate in the rehearsal to co-ordinate the payout operations, plan for public communication, and execute contingency arrangements when faced with a disruption to payout operations due to the pandemic.

### Information System Requirements and Compliance

It is important that Scheme members maintain deposit records of good quality and submit such records promptly to the Board when needed in order to facilitate accurate and timely calculation of compensation payment. The Board requires Scheme members to implement a sound information system (IS), monitors their compliance with the IS requirements and follows up on areas where there is room for improvement. Selected Scheme

members come under comprehensive reviews by the Board regularly, and all Scheme members have to commission an independent auditor to conduct a thorough assessment of their systems and processes once every three years. According to reviews and assessments conducted throughout 2020-2021, the overall compliance status of the banking industry remains satisfactory.

Regular information sessions are organised to help Scheme members understand the IS requirements and to raise their awareness of common cases of non-compliance. In the first quarter of 2021, two information webinars were held for more than 360 participants from Scheme members and audit firms conducting independent assessment of them.

#### Monitoring of Scheme Members' Compliance with the IS Guideline



**Reviewed all** Scheme members' self-declaration



**Commissioned 40** Scheme members to submit independent assessment reports under the Compliance Review Programme



**Conducted 6** comprehensive reviews of internal control processes and accuracy of deposit records submitted by selected Scheme members



## SCHEME OPERATIONS

### DEPOSIT PROTECTION SCHEME FUND

#### Composition of the DPS Fund

The DPS Fund is built up from two main sources: annual contributions paid to the Board by Scheme members, and returns generated by the DPS Fund's investments. The amount of deposits under DPS protection reported by Scheme members, together with the supervisory rating of each Scheme member as decided by the HKMA, serves as the basis for determining Scheme members' contributions for the coming year.

#### Assessment and Collection of Contributions

Contributions collected from Scheme members in 2021 amounted to HK\$576 million, an increase of 2% from 2020. Similar to the distribution of protected deposits, the amount of contributions collected from the top 20 Scheme members accounted for about 96% of the total. To validate the accuracy of reporting made by Scheme members on their protected deposits, the Board requests Scheme members to conduct regular audit reviews of their total deposits that are under DPS protection and reported to the Board in accordance with the Board's return review policy. The Board selected 22 Scheme members to submit an audit report on the accuracy of their returns in 2021. The audit results were generally satisfactory and no reporting errors were found that would lead to a material impact on the amount of contributions collected.

#### DPS Fund Investments

In view of the extremely uncertain investment environment during the financial year 2020-2021, the Board continued to adopt a prudent approach in managing the investment of the DPS Fund. Investments were made in strict compliance with the DPSO and the DPS Fund's investment-related policies. The policies set out clear guidelines on risk assessment and control measures, and the segregation of duties required for investment activities. As at the end of March 2021, the DPS Fund amounted to HK\$5.7 billion, predominantly in the form of Hong Kong dollar deposits. The DPS Fund achieved an investment return of 0.15% for the year.





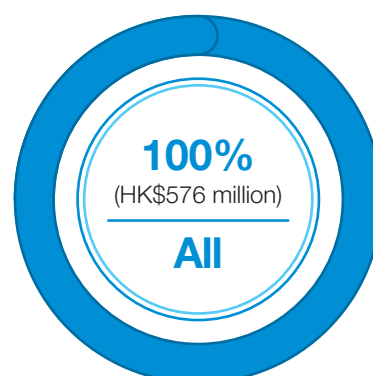
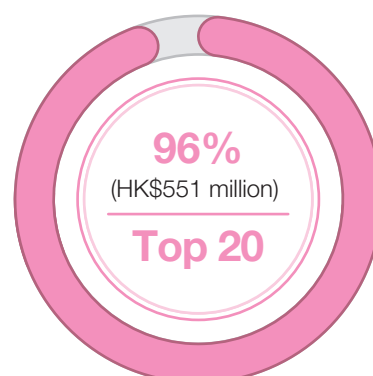
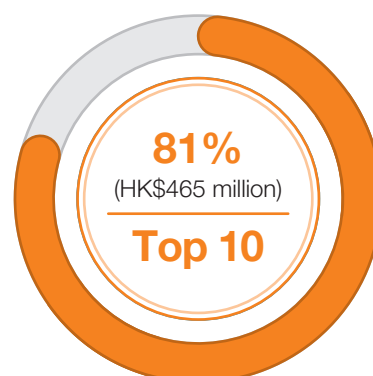
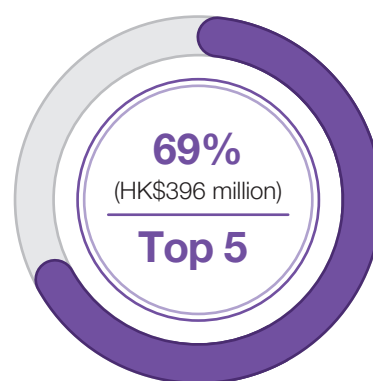
## SCHEME OPERATIONS

### Contributions Paid by Scheme Members

HK\$ million

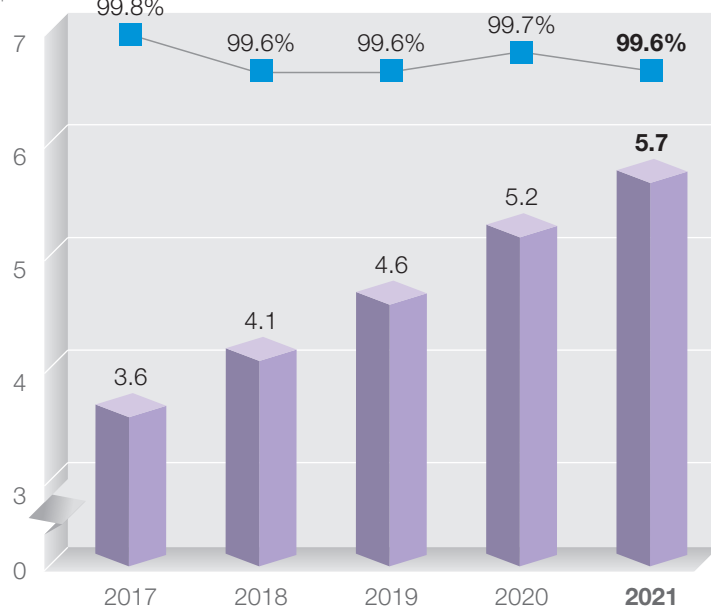


### Distribution of Contributions Collected from Scheme Members



### DPS Fund's Assets

HK\$ billion



Total Assets



Current Assets (as percentage of total assets)



## SCHEME OPERATIONS

### REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE SCHEME

#### Overview

The year 2020-2021 marked the successful completion of the Board's three-year communication plan, from enhancing public awareness and understanding of key features of the DPS to giving the public peace of mind concerning DPS protection in Hong Kong. The local COVID-19 situation remained severe throughout the year, and strict social-distancing measures posed challenges to the Board's publicity and outreach efforts. Nevertheless, the Board adapted well and reallocated more resources to digital channels in its efforts to educate the public on the DPS.

#### Mass Publicity

##### *Multimedia Advertising*

The Board carried out two advertising campaigns to illustrate the strong relationship between “deposit” and “protection” so as to instil public confidence in DPS protection. The campaigns made use of the two ambassadors of the Board's Facebook fan page, Ah Chuen (symbolising “deposit”) and Ah Po (symbolising “protection”), to helm a new 30-second TV commercial, “Bank Deposits Always Come With Protection” (存保拍住上). Both Ah Chuen and Ah Po continued to play their key roles of engaging with the public and providing assurance of deposit protection at all times. As the pandemic has accelerated the adoption of digital means in daily living, the Board increased multimedia advertising placements on TV, radio and digital platforms to broaden their reach to certain audiences, such as the younger generation and ethnic minority groups.



The new TV commercial “Bank Deposits Always Come With Protection” (存保拍住上)





## SCHEME OPERATIONS

### *Consumer and Public Relations Campaigns*

Leveraging the TV commercial's creative concept of "Good Partners", the Board rolled out consumer campaigns via online and print media based on celebrity pairings. Short videos and advertorials were produced with popular local artistes presenting key features of the DPS in a light-hearted manner to reach out effectively to homemakers and the younger generation.

- "DPS Kung Fu Duo" – a pair of popular artistes introduced key DPS features through a kung fu demonstration and a rap song.
- "DPS Love Story" – a pair of young artistes imparted DPS knowledge and conveyed the importance of savings in a love story.



"DPS Kung Fu Duo"



"DPS Love Story"





## SCHEME OPERATIONS

### Social Media Campaigns

Campaigns were executed on the Board's social media platforms to promote knowledge of the DPS. These campaigns reached out to over 2.5 million social media users.



- The Board's social media campaigns included "DPS Saving Duo Comics", in which local illustrators who were popular among the younger generation developed comics to disseminate DPS knowledge. There was also a game inviting Facebook users to share their stories about saving money together with their partners, which received an enthusiastic response of over 200 submissions. Interesting stories were selected for further development into comics to reinforce the importance of DPS in protecting Hong Kong people's hard-earned money.



- In partnership with a popular online media, the Board produced an episode of the game show series, "Manner Game King – Money-Saving", to promote DPS knowledge by challenging online media artistes with interesting questions and tasks.





## SCHEME OPERATIONS

### Survey on “Hongkongers’ Sense of Security on Savings”

For the third year, the Board carried out an annual survey to keep track of Hong Kong people’s saving behaviour and to study the money management habits of parents with young children. An online media briefing was conducted to announce the survey results, generating more than 100 write-ups

in the media. According to the survey, 67% of Hongkongers in general, and an even higher 76% of parents in particular, had a regular habit of saving up, with bank deposits continuing to be the most common form of savings. The results indicate that the role of the Board as the Guardian of bank deposits in Hong Kong remains very important.

### Interesting Findings of “Hongkongers’ Sense of Security on Savings” Survey

2020

#### Public

Hong Kong residents aged 18 or above

67%



of respondents have a habit of saving

#### Parents

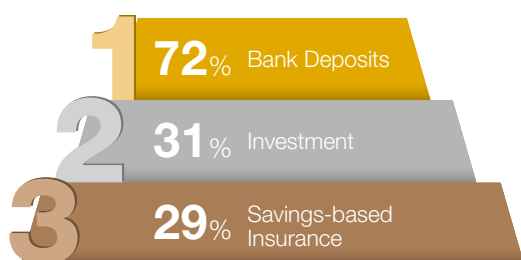
With at least 1 child aged 10 or below

76%

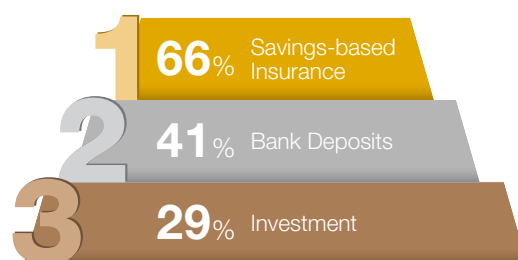


of respondents have a habit of saving

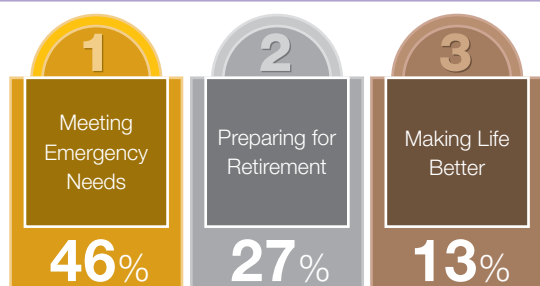
#### Saving Up Top 3 Common Methods



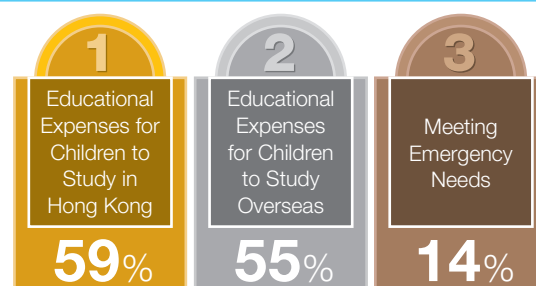
#### Saving Up for their Children Top 3 Common Methods



#### Top 3 Reasons for Saving Up



#### Top 3 Factors for Saving Up for their Children







## SCHEME OPERATIONS

### Community Education and Outreach

The Board adapted swiftly to challenges posed by the pandemic to its community outreach efforts by shifting many outreach activities online. For example, talks were conducted online jointly with NGOs for the elderly. The Board also wrote columns on deposit protection targeting pre-retirees and new retirees, which were published on NGO websites throughout the year, and disseminated DPS messages to target groups in the form of online articles, mobile phone messages and information packs.

In the past, outreach to students had focused on DPS board games and interactive workshops, which had proven to be effective. With the suspension of board game workshops at schools due to the pandemic, the Board supported students' home-learning efforts by launching YouTube videos and online workshops that taught them to play DPS board games. The Board also distributed DPS board games and promotional material in NGOs' anti-pandemic packs to less privileged families; and held online financial education talks for secondary school students to convey the importance of savings, money management and DPS protection. Academic projects devised by the Board engaged university students in exploring how to promote the DPS to new arrivals in Hong Kong and designing online DPS promotional items using the iconic ambassadors, Ah Chuen and Ah Po.



A video on YouTube about the "Fly with DPS" board game



A digital game proposed by university students to promote the DPS

The Board also organised discussion sessions with target groups that had a lower awareness of the DPS, that is, the elderly, homemakers and younger generation. The discussions yielded insights into their saving habits, money management behaviour and expected responses to a banking crisis, which would help fine-tune the Board's communication strategy.



## SCHEME OPERATIONS

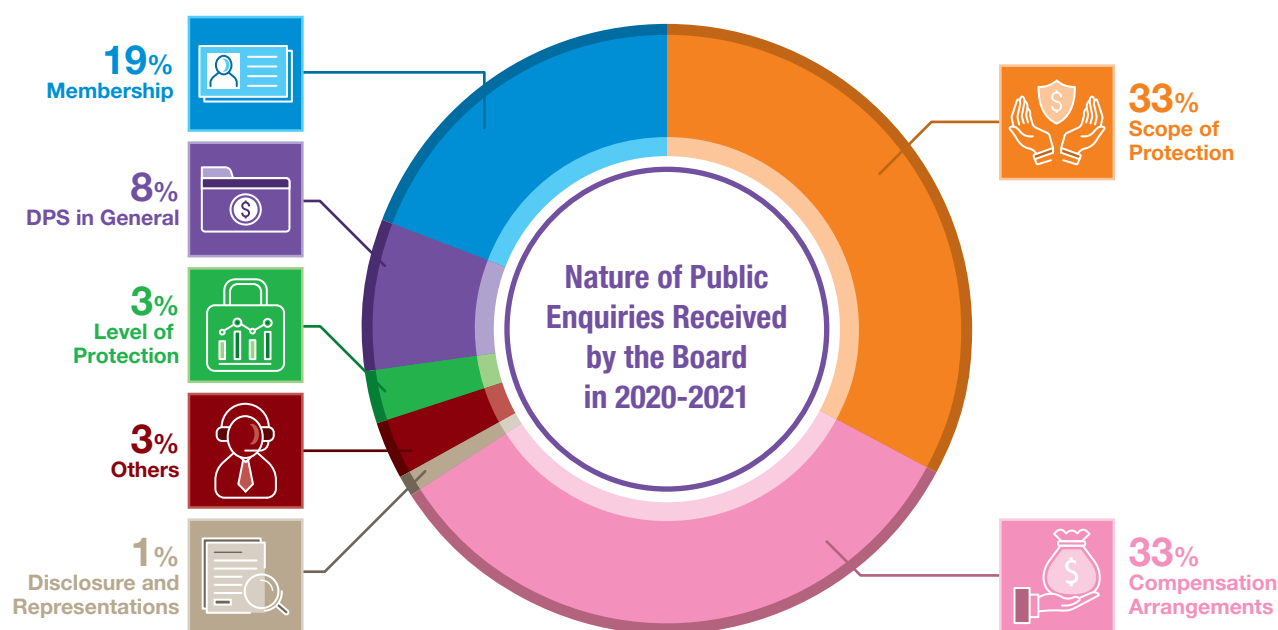
### Public Awareness and Enquiries

#### Public Opinion Survey 2020

In 2020, the Board commissioned an independent public opinion survey. It found that public awareness of the DPS remained high at 79%, of whom 82% knew about the HK\$500,000 protection limit and 85% were aware that the protection provided by the DPS was statutory. The survey results showed clearly that the Board's diligent publicity and community outreach efforts had paid off.

#### DPS Public Enquiry Service

Members of the public may avail themselves of the Board's DPS Public Enquiry Service on the hotline 1831 831 and the webpage <https://www.dps.org.hk/en/contact.php>. This is a convenient and effective service for people to ask questions about the Scheme and the functions of the Board. About 66% of the enquiries received in 2020-2021 were related to the scope of DPS protection, including the protection coverage of deposits with virtual banks and the types of financial products covered; and compensation arrangements, including compensation entitlements for joint accounts and calculations to determine the compensation amounts.





## SCHEME OPERATIONS

### COMPLIANCE WITH REPRESENTATION RULES

The DPS (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (Representation Rules) govern representations made by Scheme members about their DPS membership and the protection status of financial products offered by them. To monitor Scheme members' compliance with the representation requirements, the Board requested Scheme members to conduct a self-assessment review covering the period from 1 July 2019 to 30 June 2020. In addition, the HKMA continued to conduct on-site examinations to further assess selected Scheme members' compliance with the Representation Rules. The Board reviewed the self-assessment reports and findings of the on-site examinations and took appropriate follow-up actions. The assessment and examination results indicated that the overall compliance level of Scheme members was generally satisfactory.

### RELATIONSHIPS WITH OTHER SAFETY NET PLAYERS

#### Co-operation with the HKMA

The Board and the HKMA share the common objective of promoting the stability of the banking system. To accomplish this, the two parties have signed an MoU to set out the mode of co-operation on the operation of the DPS. In line with the DPSO requirement that the Board perform its functions through the HKMA, the two parties have also agreed on the extent of the support provided by the HKMA to the Board on a day-to-day basis. In addition, the Board and the HKMA have a co-operative agreement to establish an early warning system of a potential bank failure so as to enable a fast DPS payout, and in the event of an actual bank failure, the Board has a standby facility from the Exchange Fund to obtain the liquidity required to pay the compensation.



## SCHEME OPERATIONS

### Relationship with the Securities and Futures Commission and the Investor Compensation Company

In the event of a bank failure, the funds of a depositor or a portion of those funds may, in certain circumstances, be covered by both the DPS and the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance to compensate securities or futures investors. To ensure that no person receives double compensation, the Board and the Securities and Futures Commission (SFC) have agreed on a set of arrangements to co-ordinate and exchange information with each other. These arrangements are documented in an MoU between the Board, the SFC and the Investor Compensation Company, which was established by the SFC to administer the ICF. The MoU recognises that in the event of a bank failure, the DPS will normally be the one to pay depositors first, and that the parties involved will avoid double compensation by exchanging relevant information.

### International Co-operation

As a member of the International Association of Deposit Insurers (IADI), the Board participates in IADI conferences and seminars and other events organised by IADI members and international organisations, and exchanges knowledge and views on deposit protection issues. Such international co-operation is important in enabling the Board to keep up with overseas developments, and to share experience with other IADI members on reform measures, which may provide the Board with insights into possible enhancements of the DPS. Due to the COVID-19 pandemic, the conferences were held online in 2020-2021. Representatives from the Board took part in a number of virtual international meetings that included the following:

- IADI Virtual Asia-Pacific Regional Committee (APRC) Ad Hoc Meeting;
- 18th IADI APRC Annual Meeting; and
- IADI 2020 Extraordinary General Meeting for Members and APRC Meeting.



## INDEPENDENT AUDITOR'S REPORT

### TO THE HONG KONG DEPOSIT PROTECTION BOARD

(established under section 14 of the Deposit Protection Scheme Ordinance)

#### OPINION

We have audited the statement of accounts of the Deposit Protection Scheme Fund (the “Fund”) set out on pages 33 to 58, which comprises the balance sheet as at 31 March 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the statement of accounts, including a summary of significant accounting policies.

In our opinion, the statement of accounts gives a true and fair view of the financial position of the Fund as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Deposit Protection Scheme Ordinance (the “Ordinance”).

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Statement of accounts section of our report. We are independent of the Hong Kong Deposit Protection Board (the “Board”) in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the statement of accounts and our auditor’s report thereon.

Our opinion on the statement of accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the statement of accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the statement of accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF THE BOARD FOR THE STATEMENT OF ACCOUNTS

The Board is responsible for the preparation of the statement of accounts that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Board determines is necessary to enable the preparation of statement of accounts that is free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the Fund's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the statement of accounts as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 19 of the Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the statement of accounts.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement of accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the statement of accounts, including the disclosures, and whether the statement of accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

18 June 2021



# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 HK\$	2020 HK\$
<b>Income</b>			
Contributions		567,993,511	550,330,187
Interest income from cash and balances with banks and the Exchange Fund		7,617,020	21,792,506
Interest income from financial assets measured at amortised cost	5	—	78,620,613
Exchange losses	5	—	(42,535,753)
Other income		95,807	90,000
Gain on disposal of fixed assets		—	2,740
		<b>575,706,338</b>	<b>608,300,293</b>
<b>Expenditure</b>			
Staff costs	6	12,781,313	12,243,099
Premises costs		531,204	732,057
Depreciation and amortisation		7,264,384	9,917,114
Office supplies		812,462	217,927
Overseas travel		—	96,272
Transport and travelling		1,933	2,676
Operating expenses reimbursable to the HKMA	11	23,813,302	25,123,020
Hire of services		12,590,781	9,569,834
Interest expenses on lease liabilities	10	16,437	123,576
Communications		83,539	61,198
Publicity and printing		11,813,595	10,983,808
Other expenses		1,962,094	1,448,624
		<b>71,671,044</b>	<b>70,519,205</b>
Surplus for the year		<b>504,035,294</b>	<b>537,781,088</b>
Total comprehensive income for the year		<b>504,035,294</b>	<b>537,781,088</b>

The notes on pages 37 to 58 form part of this statement of accounts.



## DEPOSIT PROTECTION SCHEME FUND — BALANCE SHEET

As at 31 March 2021

	Note	2021 HK\$	2020 HK\$
Non-current assets			
Fixed assets	7	12,794,636	9,108,511
Intangible assets	8	7,862,516	8,644,264
		20,657,152	17,752,775
Current assets			
Other receivables	9	1,631,619	1,018,424
Cash and balances with banks and the Exchange Fund		5,650,844,208	5,143,417,086
		5,652,475,827	5,144,435,510
Current liabilities			
Contributions received in advance		433,936,945	426,015,031
Other liabilities	10	29,907,874	33,715,606
		463,844,819	459,730,637
Net current assets		5,188,631,008	4,684,704,873
Non-current liabilities			
Other liabilities	10	2,795,218	—
Net assets		5,206,492,942	4,702,457,648
Represented by			
Accumulated surplus		5,206,492,942	4,702,457,648
		5,206,492,942	4,702,457,648

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 18 June 2021.

**Professor Hui King-man, Michael**  
Chairman

The notes on pages 37 to 58 form part of this statement of accounts.



## DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

**Total**  
HK\$

Fund balance as at 1 April 2019	4,164,676,560
Surplus for the year	537,781,088
Fund balance as at 31 March 2020	4,702,457,648
At 1 April 2020	4,702,457,648
Surplus for the year	504,035,294
Fund balance as at 31 March 2021	5,206,492,942

The notes on pages 37 to 58 form part of this statement of accounts.





# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$	2020 HK\$
<b>Operating activities</b>		
Surplus for the year	504,035,294	537,781,088
Interest income	(7,617,020)	(100,413,119)
Interest expenses on lease liabilities	16,437	123,576
Exchange losses on financial assets measured at amortised cost	—	38,709,564
Depreciation and amortisation	7,264,384	9,917,114
Gain on disposal of fixed assets	—	(2,740)
Cash from operating surplus before changes in operating assets and liabilities	503,699,095	486,115,483
<b>Changes in operating assets and liabilities</b>		
Increase in other receivables	(699,999)	(132,679)
Increase in contributions received in advance	7,921,914	15,412,047
(Decrease)/increase in other payables	(2,884,033)	3,737,448
Interest portion of lease payments	(16,437)	(123,576)
Net cash from operating activities	508,020,540	505,008,723
<b>Investing activities</b>		
Purchase of intangible assets	(1,469,467)	(398,751)
Purchase of fixed assets	(3,729,606)	(153,008)
Interest received	7,703,824	21,901,759
Purchase of financial assets measured at amortised cost	—	(3,448,893,951)
Proceeds from redemption of financial assets measured at amortised cost	—	3,488,805,000
Proceeds from disposal of fixed assets	—	2,740
Net cash from investing activities	2,504,751	61,263,789
<b>Financing activities</b>		
Principal portion of lease payments	(3,098,169)	(5,044,524)
Net cash used in investing activities	(3,098,169)	(5,044,524)
Net increase in cash and cash equivalents	507,427,122	561,227,988
Cash and cash equivalents at 1 April	5,143,417,086	4,582,189,098
Cash and cash equivalents at 31 March	5,650,844,208	5,143,417,086
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and balances with banks and the Exchange Fund	5,650,844,208	5,143,417,086

The notes on pages 37 to 58 form part of this statement of accounts.



# DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

## 1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the Fund) is established under the Deposit Protection Scheme Ordinance (the Ordinance) for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the Scheme or the DPS). Currently, the protection limit is set at HK\$500,000 per depositor per bank. The Hong Kong Deposit Protection Board (the Board) manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Hong Kong (IFRIC) Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention.

For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The preparation of statement of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies.

The Board makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions made in the preparation of these accounts do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (a) Basis of preparation *(continued)*

##### (i) *New and amended standards adopted by the Fund*

The Fund has adopted the Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) and the following amended standards for the first time in the current year’s financial statements, which are applicable to the Fund.

Amendments to HKAS 1 and HKAS 8	Definition of Material
---------------------------------	------------------------

The nature and the impact of the Conceptual Framework and the amended standards are described below:

##### Conceptual Framework

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework is not an HKFRS nor an Accounting Guideline issued by the HKICPA, and nothing in the Conceptual Framework overrides any HKFRS, any requirements in an HKFRS or Accounting Guideline. The adoption of the Conceptual Framework does not have any significant impact on the Fund’s statements of accounts.

##### Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of “material”. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The adoption of such amendments does not have any significant impact on the Fund’s statements of accounts.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (a) Basis of preparation *(continued)*

##### (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2021 and have not been early adopted*

The Fund has not early applied any of the following amended standards which may be relevant to the Fund, that have been issued but are not yet effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1, 2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

The Fund is in the process of finalising its assessment of what the potential impact of these new and amended standards upon initial application. So far the Management's preliminary assessment indicates that the adoption of them is not expected to have a significant impact on the Fund's statements of accounts.

#### (b) Revenue recognition

Contributions and exemption fees are collected from Scheme members as specified in Schedule 4 to the Ordinance. They are accounted for on an accrual basis.

Contributions are calculated based on the amount of deposits under DPS protection and the respective supervisory rating of each non-exempted bank applicable at a specified date. Contributions are collected annually during each calendar year and the advance portion is presented as contributions received in advance in the balance sheet.

Interest income is recognised in the statement of comprehensive income using the effective interest method.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(b) Revenue recognition** *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### **(c) Expenses**

All expenses are recognised in the statement of comprehensive income on an accrual basis.

#### **(d) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	Years
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office furniture, equipment and fixtures	5
Right-of-use assets arising from leases of premises	over the shorter of the lease terms and their estimated useful lives



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(d) Fixed assets** *(continued)*

Only items costing HK\$10,000 or more are capitalised. Gains or losses arising from the disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use.

#### **(e) Intangible assets**

Costs that are directly associated with the development of identifiable and unique systems controlled and used by the Fund, and that will probably generate economic benefit exceeding costs beyond 1 year, are recognised as intangible assets. Intangible assets include expenditures on development of the Payout System. Such expenditure is capitalised if the systems are technically and commercially feasible. The expenditure capitalised includes the direct labour and costs of materials. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets with definite life is charged to the statement of comprehensive income on a straight-line basis over the assets' estimated useful life of 5 years.

#### **(f) Leases**

A lease is recognised in the balance sheet as a right-of-use asset with a corresponding lease liability at the lease commencement date, except that variable lease payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

A right-of-use asset is recognised as fixed assets and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the asset's estimated useful life.

The lease liability is recognised as other liabilities and is measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Fund's incremental borrowing rate. The lease liability is subsequently adjusted by the effect of the interest on and the settlement of the lease liability.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (f) Leases *(continued)*

Lease payments included in the measurement of the Fund's lease liability mainly comprise:

- Fixed payments, less any lease incentives receivable;
- Lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is remeasured if the Fund changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### (g) Financial assets

##### *Classification, recognition, measurement and derecognition*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire, or where the financial assets together with substantially all the risks and rewards of ownership have been transferred.





## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Financial assets *(continued)*

#### *Impairment of financial assets*

The Fund applies a three-stage approach to measure expected credit losses (ECLs) and impairment losses or reversals, for financial instruments measured at amortised cost that are not measured at fair value through profit or loss.

The change in credit risk since initial recognition determines the measurement bases for ECLs:

#### Stage 1: 12-month ECLs

For financial instruments for which there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting period are recognised.

#### Stage 2: Lifetime ECLs — not credit impaired

For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial instrument are recognised.

#### Stage 3: Lifetime ECLs — credit impaired

For financial instruments that have become credit impaired, lifetime ECLs are recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of loss allowance) rather than the gross carrying amount.

#### Determining the stage for impairment

At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for financial instruments since initial recognition by comparing the risk of default occurring over the remaining expected life as at the reporting date with that as at the date of initial recognition. The assessment considers quantitative and qualitative information as well as forward-looking information. A financial asset is assessed to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(g) Financial assets** *(continued)*

##### *Impairment of financial assets (continued)*

###### Determining the stage for impairment *(continued)*

The Fund assesses whether there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For collective assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account investment type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the counterparty or borrower and other relevant factors.

Debt investments with an external credit rating of investment grade are considered to have a low credit risk. Other financial instruments are considered to have a low credit risk if they have a low risk of default and the counterparty or borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on these financial instruments is assessed as not having increased significantly since initial recognition.

For a financial asset with lifetime ECLs recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime ECLs to 12-month ECLs.

When a financial asset is uncollectible, it is written off against the related loss allowance. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

###### Measurement of ECLs

ECLs of a financial instrument are an unbiased and probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A credit loss is the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. For a financial asset that is credit impaired at the reporting date, the Fund measures the ECLs as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(h) Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Other payables are initially recognised at fair value and thereafter stated at amortised cost.

Other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### **(i) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

#### **(j) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of transaction including: cash at bank and on hand, demand deposits with banks, other financial institutions and the Monetary Authority (MA) for the account of the Exchange Fund, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(k) Translation of foreign currencies**

##### *(i) Functional and presentation currency*

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(k) Translation of foreign currencies** *(continued)*

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as financial assets measured at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the surplus, and other changes in carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial assets are included in other comprehensive income.

#### **(l) Provisions and contingent liabilities**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(m) Employee benefits**

##### *(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are recognised when the absence occurs.

##### *(ii) Pension obligations*

The Fund offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee—administered funds. These pension plans are generally funded by payments from employees and by the Fund. The Fund's contributions to the mandatory provident fund scheme are expensed as incurred.

#### **(n) Related parties**

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

#### **(o) Critical accounting estimates and assumptions**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund has considered the existing and potential impacts arising from the outbreak of the COVID-19 pandemic when preparing the statements of accounts. While the Fund considers the outbreak has no significant impact on its financial position, the Fund will continue to closely monitor and review its operations and financial position in light of the ongoing development of COVID-19, and if required, take actions to minimise any potential impacts of COVID-19 on the Fund.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 3 RISK MANAGEMENT

#### (a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other investment-related matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's Management Team conducts the day-to-day investment management and risk management of the Fund.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 3 RISK MANAGEMENT *(continued)*

#### **(b) Investment management and control**

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limits versus exposures are regularly submitted to the Investment Committee for control purpose.





## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 3 RISK MANAGEMENT *(continued)*

#### (c) Financial risk management

##### *Market risk*

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates may affect the fair value or cash flows of a financial instrument. Market risk to the Fund mainly comprises interest rate risk and currency risk.

##### (i) Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the majority of the financial assets represent the cash balances with bank and the Exchange Fund, the impact of interest rate fluctuations on the Fund is considered minimal.

##### (ii) Currency risk

Currency risk is the risk of loss arising from changes in foreign exchange rates. The investments held by the Fund are denominated either in Hong Kong dollars or US dollars. Because of the linked exchange rate with the US dollar, the currency risk to the Fund is considered minimal.

##### *Liquidity risk*

Liquidity risk refers to the risk that the Fund may not have sufficient funds available to meet its liabilities as they fall due. In addition, liquidity risk also refers to the risk that the Fund may not be able to liquidate its financial assets at a price close to the fair value within a short period of time.

Given that the Fund can only make deposits with the MA for the account of the Exchange Fund or with financial institutions approved by the Investment Committee or invest in the highly liquid Exchange Fund Bills and Notes and US Treasury Bills and Notes, the liquidity of the Fund is maintained at a high level at all times.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 3 RISK MANAGEMENT *(continued)*

#### (c) Financial risk management *(continued)*

##### *Credit risk*

The Fund is exposed to credit risk when a borrower or a counterparty may not be able or willing to perform its contractual obligations in full when due. The credit risk of the Fund mainly comprises (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.

Counterparty credit exposures arise mainly from the Fund's deposit placements with the MA for the account of the Exchange Fund and financial institutions approved by the Investment Committee and securities transactions with financial institutions. In this respect, the Fund will only conduct securities transactions with counterparties approved by the Investment Committee. To mitigate the issuer risk arises from investments in debt securities, the Board confines the types of investment securities of the Fund to Exchange Fund Bills and Notes and US Treasury Bills and Notes, both with minimal default risk. The Management Team considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. In addition to the counterparty and issuer risks, the Fund is exposed to country risk, which is confined to the sovereign risk of Hong Kong and the US and the country risk of financial institutions approved by the Investment Committee given the Fund's limited types of investments. The Fund's credit exposures are reported regularly to the Investment Committee based on its delegated authority from the Board.

### 4 TAXATION

No provision for Hong Kong Profits Tax for 2021 and 2020 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 5 PURCHASE AND REDEMPTION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

In 2020, the Fund purchased and redeemed the US Treasury Bills resulting in interest income of HK\$78,620,613 and exchange losses of HK\$38,709,564 which have been included in “exchange losses” in the statement of comprehensive income. Taking these two components together, the purchase and redemption of the US Treasury Bills have generated a net income amounted to HK\$39,911,049.

In 2021, there was no such income or losses arising from purchase or redemption of US Treasury Bills.

### 6 STAFF COSTS

	2021 HK\$	2020 HK\$
Salaries	11,410,914	10,939,150
Gratuity	50,746	37,083
Other employee benefits	1,319,653	1,266,866
	12,781,313	12,243,099



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 7 FIXED ASSETS

	Owned assets		Right-of-use assets	
	Office equipment, furniture and fixtures HK\$	Computer hardware/software HK\$	Premises HK\$	Total HK\$
<b>Cost</b>				
As at 1 April 2019	1,647,992	25,158,820	7,630,894	34,437,706
Additions	43,755	109,253	—	153,008
Lease remeasurement	—	—	(380,494)	(380,494)
Disposals	—	(12,457,454)	—	(12,457,454)
As at 31 March 2020	1,691,747	12,810,619	7,250,400	21,752,766
As at 1 April 2020	1,691,747	12,810,619	7,250,400	21,752,766
Additions	2,830,727	898,879	4,969,688	8,699,294
Disposals	(1,517,724)	—	(7,250,400)	(8,768,124)
As at 31 March 2021	3,004,750	13,709,498	4,969,688	21,683,936
<b>Accumulated depreciation</b>				
As at 1 April 2019	1,587,957	16,610,682	—	18,198,639
Charge for the year	32,684	1,907,893	4,962,493	6,903,070
Written back on disposal	—	(12,457,454)	—	(12,457,454)
As at 31 March 2020	1,620,641	6,061,121	4,962,493	12,644,255
As at 1 April 2020	1,620,641	6,061,121	4,962,493	12,644,255
Charge for the year	216,186	1,781,805	3,015,178	5,013,169
Written back on disposal	(1,517,724)	—	(7,250,400)	(8,768,124)
As at 31 March 2021	319,103	7,842,926	727,271	8,889,300
<b>Net book value</b>				
As at 31 March 2021	2,685,647	5,866,572	4,242,417	12,794,636
As at 31 March 2020	71,106	6,749,498	2,287,907	9,108,511



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 8 INTANGIBLE ASSETS

	<b>Development costs of payout system HK\$</b>
<b>Cost</b>	
As at 1 April 2019	41,106,276
Additions	398,751
As at 31 March 2020	41,505,027
As at 1 April 2020	41,505,027
Additions	1,469,467
As at 31 March 2021	42,974,494
<b>Accumulated amortisation</b>	
As at 1 April 2019	29,846,719
Charge for the year	3,014,044
As at 31 March 2020	32,860,763
As at 1 April 2020	32,860,763
Charge for the year	2,251,215
As at 31 March 2021	35,111,978
<b>Net book value</b>	
As at 31 March 2021	7,862,516
As at 31 March 2020	8,644,264



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 9 OTHER RECEIVABLES

	2021 HK\$	2020 HK\$
Prepayment	1,567,678	864,477
Interest receivables	4,643	91,447
Others	59,298	62,500
	<b>1,631,619</b>	<b>1,018,424</b>

### 10 OTHER LIABILITIES

	Note	2021 HK\$	2020 HK\$
Other payables			
Hire of services	(a)	25,558,463	29,492,083
Staff expenses		1,638,392	1,309,069
Others		1,260,099	539,835
Lease liabilities			
Current portion	(b)	1,450,920	2,374,619
Non-current portion	(b)	2,795,218	—
		<b>32,703,092</b>	<b>33,715,606</b>

- (a) This amount includes operating expenses of HK\$23,813,302 (2020: HK\$25,123,020) reimbursed to the Hong Kong Monetary Authority (HKMA).



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 10 OTHER LIABILITIES *(continued)*

(b) The changes in lease liabilities arising from financing activities are as follows:

	2021 HK\$	2020 HK\$
Balance at the year beginning	2,374,619	7,799,637
Changes from financing cash flows		
Principal portion of lease payments	(3,098,169)	(5,044,524)
Non-cash changes		
Increase relating to new leases	4,969,688	—
Interest expenses on lease liabilities	16,437	123,576
Lease remeasurement	—	(380,494)
Other changes		
Interest portion of lease payments	(16,437)	(123,576)
Balance at the year end	4,246,138	2,374,619

(c) The following table shows the remaining contractual maturities at the end of the reporting period of lease liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay.

	2021 HK\$	2020 HK\$
1 month or less	121,923	430,675
3 months or less but over 1 month	243,846	861,350
1 year or less but over 3 months	1,097,307	1,091,043
2 years or less but over 1 year	1,463,076	—
5 years or less but over 2 years	1,341,153	—
	4,267,305	2,383,068

(d) The total cash outflows for leases of the Fund for the year ended 31 March 2021 was HK\$3,114,606 (2020: HK\$5,168,100).

(e) The former lease agreement contained an early termination option exercisable by the Fund or the landlord. In January 2020, the landlord exercised the termination option and the lease ended on 30 September 2020. The impact due to the early termination of former lease agreement has been reflected on the statement of accounts.





## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 10 OTHER LIABILITIES *(continued)*

- (f) In July 2020, the Fund entered into a lease agreement with the HKMA, setting out the understanding between both parties regarding the provision of office space to the Fund with a term up to 29 February 2024. At the commencement date of the lease, the Fund recognised right-of-use assets and lease liabilities of HK\$4,969,688.

### 11 MATERIAL RELATED PARTY TRANSACTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. The HKMA has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources, and information technology.

The related party transactions with the HKMA are as follows:

	Note	2021 HK\$	2020 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	5,649,618,920	5,135,106,861
Lease with the HKMA			
Right-of-use assets	10(f)	4,242,417	—
Lease liabilities	10(f)	4,246,138	—
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	7,616,784	21,732,427
Operating expenses reimbursed to the HKMA	(b)	23,937,585	25,123,020
Lease payments to the HKMA			
Principal portion	10(f)	723,550	—
Interest portion	10(f)	7,988	—

- (a) During the year, the Fund placed deposits with the Exchange Fund and earned interest amounting to HK\$7,616,784 (2020: HK\$21,732,427) at a rate which is referenced to the market interest rates. As at 31 March 2021, the deposits amounted to HK\$5,649,618,920 (2020: HK\$5,135,106,861).



## DEPOSIT PROTECTION SCHEME FUND — NOTES TO THE STATEMENT OF ACCOUNTS

### 11 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (b) Certain operating expenses are reimbursed to the HKMA on a cost recovery basis in accordance with the provisions set out in the Ordinance. The expenses include the cost of staff and supporting services incurred by the HKMA for assisting the Board in carrying out its functions amounting to HK\$23,813,302 (2020: HK\$25,123,020) and the management fee in respect of the lease agreement with the HKMA amounting to HK\$124,283 (2020: nil).
- (c) During the year, the HKMA provided the Board with a standby facility from the Exchange Fund for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. The maximum amount which may be drawn under the facility is HK\$120 billion (2020: HK\$120 billion) of which nil (2020: nil) was drawn during the year.

### 12 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 18 June 2021.



## ANNEX: LIST OF SCHEME MEMBERS AS AT 31 MARCH 2021

ABN AMRO BANK N.V.	BANK OF NEW YORK MELLON (THE)
AGRICULTURAL BANK OF CHINA LIMITED	BANK OF NOVA SCOTIA (THE)
AIRSTAR BANK LIMITED	BANK OF SINGAPORE LIMITED
ANT BANK (HONG KONG) LIMITED	BANK OF TAIWAN
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	BANK SINOPAC
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	BANQUE PICTET & CIE SA
BANCO SANTANDER, S.A.	BARCLAYS BANK PLC
BANGKOK BANK PUBLIC COMPANY LIMITED	BDO UNIBANK, INC.
BANK J. SAFRA SARASIN AG	BNP PARIBAS
BANK JULIUS BAER & CO. LTD.	BNP PARIBAS SECURITIES SERVICES
BANK OF AMERICA, NATIONAL ASSOCIATION	CA INDOSUEZ (SWITZERLAND) SA
BANK OF BARODA	CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF CHINA (HONG KONG) LIMITED	CANARA BANK
BANK OF CHINA LIMITED	CATHAY BANK
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK OF COMMUNICATIONS CO., LTD.	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF DONGGUAN CO., LTD.	CHIBA BANK, LTD. (THE)
BANK OF EAST ASIA, LIMITED (THE)	CHINA BOHAI BANK CO., LTD.
BANK OF INDIA	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF MONTREAL	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
	CHINA CONSTRUCTION BANK CORPORATION



## ANNEX: LIST OF SCHEME MEMBERS AS AT 31 MARCH 2021

CHINA DEVELOPMENT BANK	DBS BANK LTD.
CHINA EVERBRIGHT BANK CO., LTD.	DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN
CHINA GUANGFA BANK CO., LTD.	
CHINA MERCHANTS BANK CO., LTD.	E.SUN COMMERCIAL BANK, LTD.
CHINA MINSHENG BANKING CORP., LTD.	EAST WEST BANK
CHINA ZHESHANG BANK CO., LTD.	EFG BANK AG
CHIYU BANKING CORPORATION LIMITED	ERSTE GROUP BANK AG
CHONG HING BANK LIMITED	FAR EASTERN INTERNATIONAL BANK
CHUGOKU BANK, LTD. (THE)	FIRST ABU DHABI BANK PJSC
CIMB BANK BERHAD	FIRST COMMERCIAL BANK, LTD.
CITIBANK (HONG KONG) LIMITED	FUBON BANK (HONG KONG) LIMITED
CITIBANK, N.A.	FUSION BANK LIMITED
CMB WING LUNG BANK LIMITED	HACHIJUNI BANK, LTD. (THE)
COMMONWEALTH BANK OF AUSTRALIA	HANG SENG BANK, LIMITED
COÖPERATIEVE RABOBANK U.A.	HDFC BANK LIMITED
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	HONG LEONG BANK BERHAD
CREDIT INDUSTRIEL ET COMMERCIAL	HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
CREDIT SUISSE AG	HSBC BANK PLC
CTBC BANK CO., LTD.	HSBC BANK USA, NATIONAL ASSOCIATION
DAH SING BANK, LIMITED	HUA NAN COMMERCIAL BANK, LTD.
DBS BANK (HONG KONG) LIMITED	HUA XIA BANK CO., LIMITED



## ANNEX: LIST OF SCHEME MEMBERS AS AT 31 MARCH 2021

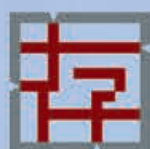
ICBC STANDARD BANK PLC	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
ICICI BANK LIMITED	
INDIAN OVERSEAS BANK	MELLI BANK PLC
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED	MITSUBISHI UFJ TRUST AND BANKING CORPORATION
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED	MIZUHO BANK, LTD.
INDUSTRIAL BANK CO., LTD.	MORGAN STANLEY BANK ASIA LIMITED
INDUSTRIAL BANK OF KOREA	MOX BANK LIMITED
ING BANK N.V.	MUFG BANK, LTD.
INTESA SANPAOLO SPA	NANYANG COMMERCIAL BANK, LIMITED
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	NATIONAL AUSTRALIA BANK LIMITED
KBC BANK N.V.	NATIONAL BANK OF PAKISTAN
KEB HANA BANK	NATIXIS
KOOKMIN BANK	NATWEST MARKETS PLC
LAND BANK OF TAIWAN CO., LTD.	O-BANK CO., LTD.
LGT BANK AG	OCBC WING HANG BANK LIMITED
LIVI BANK LIMITED	OVERSEA-CHINESE BANKING CORPORATION LIMITED
MACQUARIE BANK LIMITED	PHILIPPINE NATIONAL BANK
MALAYAN BANKING BERHAD	PICTET & CIE (EUROPE) S.A.
MASHREQ BANK – PUBLIC SHAREHOLDING COMPANY	PING AN BANK CO., LTD.
	PING AN ONECONNECT BANK (HONG KONG) LIMITED



## ANNEX: LIST OF SCHEME MEMBERS AS AT 31 MARCH 2021

PT. BANK NEGARA INDONESIA (PERSERO) TBK.	SVENSKA HANDELSBANKEN AB (PUBL)
PUBLIC BANK (HONG KONG) LIMITED	TAI SANG BANK LIMITED
PUNJAB NATIONAL BANK	TAI YAU BANK, LIMITED
QATAR NATIONAL BANK (Q.P.S.C.)	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
ROYAL BANK OF CANADA	TAISHIN INTERNATIONAL BANK CO., LTD
SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. (THE)	TAIWAN BUSINESS BANK, LTD.
SHANGHAI COMMERCIAL BANK LIMITED	TAIWAN COOPERATIVE BANK, LTD.
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.
SHIGA BANK, LTD. (THE)	TORONTO-DOMINION BANK
SHINHAN BANK	UBS AG
SHIZUOKA BANK, LTD. (THE)	UCO BANK
SKANDINAVISKA ENSKILDA BANKEN AB	UNION BANCAIRE PRIVÉE, UBP SA
SOCIETE GENERALE	UNION BANK OF INDIA
STANDARD CHARTERED BANK	UNITED OVERSEAS BANK LTD.
STANDARD CHARTERED BANK (HONG KONG) LIMITED	WELAB BANK LIMITED
STATE BANK OF INDIA	WELLS FARGO BANK, NATIONAL ASSOCIATION
STATE STREET BANK AND TRUST COMPANY	WESTPAC BANKING CORPORATION
SUMITOMO MITSUI BANKING CORPORATION	WOORI BANK
SUMITOMO MITSUI TRUST BANK, LIMITED	YUANTA COMMERCIAL BANK CO., LTD
	ZA BANK LIMITED





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